

Message Text

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ACTION OPIC-06

INFO OCT-01 EA-06 ISO-00 L-03 AID-05 EB-07 COME-00 /028 W

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R 240700Z JUL 75

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 1631

LIMITED OFFICIAL USE SECTION 1 OF 2 SEOUL 5571

STATE PASS OPIC

E.O. 11652: N/A

TAGS: EFIN, KS

SUBJECT: OPIC FINANCE PROJECTS

1. SUMMARY. FOUND DEEP CONCERN HERE OVER KOREA CONCENTRATION PROBLEMS AND INSURANCE AVAILABILITY. AT SOME POINT NEAR FUTURE EMBASSY WISHES DETAILED BRIEFING FROM OPIC IN ORDER TO BE ABLE TO RESPOND TO QUERIES FROM U.S. COMPANIES AND ROKG OFFICIALS.

2. KOREA SEMICONDUCTOR: HAD CORDIAL MEETING WITH J.K. KANG OF SAMSUNG GROUP. PRESENT SITUATION IS THAT SAMSUNG HAS PROVIDED OR GUARANTEED IN EXCESS OF ONE MILLION DOLLARS IN SHORT-TERM DEBT IN SUPPORT OF PROJECT. HOWEVER, THIS HAS BEEN DOND WITHOUT REGARD TO LOAN AGREEMENT PROVISIONS, WORKING CAPITAL LOAN AGREEMENT OR PROJECT COMPLETION AGREEMENT. HAVE ASKED KSI FINANCIAL TYPE (WHO REPORTS TO SAMSUNG) TO PROVIDE OPIC WITH COMPLETE FINANCIAL DATA AS OF 6/30/75, PRESENT LEVEL OF SAMSUNG SUPPORT, AND ANTICIPATED FUTURE CAPITAL REQUIREMENTS. IT IS OBVIOUS THAT SAMSUNG HAS FULLY SUPPORTED KSI AND WILL CONTINUE TO DO SO, BUT WISH TO REVIEW ENTIRE SITUATION WITH HILL, CULMAN, LIPMAN AND NIELSON UPON RETURN AND WHEN FINANCIAL DATA RECEIVED. VISIT TO KSI PLANT VERY ENCOURAGING. EVERYTHING APPEARS WELL ORGANIZED AND UNDER CONTROL.

3. SAM YANG BAKER TANK TERMINAL: HAD MEETING WITH OUR LAWYER YANG AND SAM YANG REPRESENTATIVES. SAM YANG REPRESENTATIVES
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HAVE ASKED OPIC TO CLARIFY OR AMEND FOLLOWING POINTS:

GENERAL: A) SAM YANG REPS ASKED THAT WHERE NAME "YANG" APPEARS IN L/A, IT BE CHANGED TO "SAM YANG"

B) PAGE 3, LAST LINE OF THIRD LAST PARA SHOULD READ "PROJECT COMPLETION AND SHAREHOLDERS AGREEMENT"

SEC. 2.1 FOOTNOTE: SAM YANG SAYS THEY INTEND TO PAY CASH INTO COMPANY, THEN PURCHASE LAND. WANT FOOTNOTE CHANGED TO REFLECT ACTUAL SITUATION. ALSO WISH TO CHANGE "OFFICIAL BUYING RATE" TO "OFFICIAL BANKER'S BUYING RATE" WHICH THEY SAY IS THE RATE ON WHICH THE COST OF THE LAND WAS COMPUTED.

SEC. 3-8 - THEY WISH TO ELIMINATE PENALTY PROVISION BUT WILL AGREE TO NO PREPAYMENT BY BORROWER FOR 2 1/2 YEARS FROM DATE OF FIRST SCHEDULED PRINCIPAL REPAYMENT.

SEC. 4.2 - THEY SUGGEST LAST LINE OF PARA SHOULD READ "...COMPANY REQUIRES NO OTHER PRODUCT, PROCESS OR OTHER PATENT, OR LICENSE THERETO, IN ANY JURISDICTION THAN WHICH THE COMPANY ALREADY HOLDS, TO CARRY ON THE PROJECT"

SEC. 5.2 - THEY SAY THIS REQUIREMENT IS ALSO CONTAINED IN PROJECT COMPLETION AND SHAREHOLDERS AGREEMENT. THEY SUGGEST THIS SECTION BE MODIFIED TO READ "CAPITAL STOCK RETENTION AGREEMENT OR AGREEMENTS IN THE FORM OF ANNEX D (PROJECT COMPLETION AND SHAREHOLDERS AGREEMENT) ATTACHED HERETO...."

SEC. 5.10 - AS HILL EXPECTED, THESE AGREEMENTS HAVE ALREADY BEEN EXECUTED. BOSTWICK AND YANG TOLD THEM THEY WOULD HAVE TO BE MODIFIED TO LEGALLY REFLECT SUBORDINATION TO OPIC LOAN.

SEC. 5.12 - THEY SUGGEST DROPPING THIS SECTION SINCE IT IS ALREADY COVERED IN SEC. 5.14.

SEC. 5.13 - THEY DON'T UNDERSTAND THIS ONE. THEY WISH OPIC TO CLARIFY IF WE MEAN EVIDENCE VICE CONTRACTS SINCE NO KOREAN COMPANIES HAVE UTILITY CONTRACTS AS SUCH.

SEC. 5.16 - THEY THINK FOUR LEGAL OPINIONS TOO MANY AND TOO COSTLY.
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I DEFERRED TO THIS ONE FOR MR. LIPMAN AND DR. YANG TO DISCUSS.

SEC. 7.7 - THEY BELIEVE IT WOULD BE VERY DIFFICULT FOR THEM TO "ESTABLISH AND MAINTAIN A SYSTEM OF ACCOUNTING IN U.S. DOLLARS, ETC.," BUT SAY THAT THEY WILL BE HAPPY TO MAKE ALL REPORTS IN THEIR DOLLAR EQUIVALENTS AND HAVE CPA CERTIFY THAT ACCOUNTS AND BOOKS FLOW GENERALLY ACCEPTED U.S. ACCOUNTING PRINCIPLES. THEY WISH OPICOO CLARIFY EXACTLY WHAT IS THE REQUIREMENTS OF THIS SECTION.

SEC. 7.12 - IF THEY UNDERSTAND THIS SECTION CORRECTLY, THEY DO NOT SEE HOW THE KOREAN COMPANY COULD OR SHOULD BE HELD LIABLE

FOR ANY U.S. TAXES ON THE LENDER. THEY ALSO DO NOT BELIEVE ROKG WOULD PERMIT THEM TO PAY SUCH TAXES. THEY REQUEST CLARIFICATION.

SEC. 8.1 AND SEC. 8.2 - THEY WISH SOMM RELIEF UNDER THESE PROVISIONS WHICH WILL ENABLE THEM TO BORROW LOCALLY, FOR WORKING CAPITAL OR EXPANSION FINANCING. THEY SAY LOCAL BANKS WILL NOT EXTEND CREDIT UNLESS SECURED BY ASSETS OF COMPANY. IN THIS REGARD THEY ALSO WISH TO LIMIT OPIC MORTGAGE COVERAGE UNDER SEC. 5.15 TO A MAXIMUM OF 150 PERCENT OF OPIC LOAN.

SEC. 8.5 (D)(III) - LINE 5 SHOULD READ "PROJECT COMPLETION AND SHAREHOLDERS AGREEMENT"

SEC. 9.2(E) - WHY DO WE USE TERM "U.S. CORPORATION COMPANY"? SHOULD "BAKER" BE SUBSTITUTED FOR THIS TERM? CLARIFY.

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R 240700Z JUL 75

FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 1632

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SEC. 10.1 - THEY WOULD LIKE SOME LIMITATION ON THIS - FEEL IT IS TOO OPEN-ENDED. THEY SUGGEST A LIMIT OF UP TO \$10,000 WITHOUT QUESTION, AND ANYTHING OVER THIS SUBJECT TO MUTUAL DISCUSSION OF WHAT IS FAIR AND REASONABLE.

OTHER: A) SAM YANG WANTS TO KNOW IF THEY CAN GIVE POWER OF ATTORNEY FOR SOMEONE TO EXECUTE PROMISSORY NOTES IN D.C. I WAS SURE ANSWER TO THIS WAS AFFIRMATIVE, BUT SAID I WOULD ASK OPIC TO CONFIRM.

B) LAWYER YANG CONTINUES TO INSIST THAT MORTGAGE IS NOT VERY GOOD SECURITY IN KOREA. HE WANTS PROJECT TO OBTAIN BANK (KDB OR KEB) GUARANTY FOR OPIC LOAN AND LET LOCAL BANK TAKE MORTGAGE FOR SECURITY. WE PRESSED SAM YANG REPS TO CONSIDER THIS FOR A NUMBER OF REASONS, AND WHILE THEY AMENABLE TO CONSIDERING THIS, THEIR BIG HANG-UP IS ONE PERCENT GUARANTY FEE WHICH WOULD BE ADDED TO 11 PERCENT INTEREST RATE. BELIEVE THEY WOULD AGREE READILY TO OBTAINING BANK GUARANTY FOR OPIC LOAN IF WE DEEM IT DESIRABLE TO OFFER APPROPRIATE CONCESSION.

4. MET WITH EPB REPRESENTATIVE KANG WHO HAD VERY HARD TIME

ACCEPTING 11 PERCENT RATE. HE WAS ALSO VERY UPSET WITH PREPAYMENT PENALTY. HE SAID HE WAS CERTAIN HE COULD GET 11 PERCENT RATE APPROVED BY ROKG IF WE DROPPED PREPAYMENT PENALTY PROVISION. ARGUED THAT WE DIDN'T WANT TO HAVE PROJECT REFINANCE THE LOAN AFTER WE WENT TO ALL THE TIME AND TROUBLE OF MAKING THE LOAN. KANG AND SAM YANG REP THEN SUGGESTED THAT THE LOAN NOT BE PRE-PAUABLE UNTIL 2 1/2 YEARS FROM DATE OF FIRST INSTALLMENT OF PRINCIPAL. TOLD HIM I WOULD ASK WASHINGTON IF THIS WOULD BE LIMITED OFFICIAL USE
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ACCEPTABLE TO THEM. COMMENT: IF WE GO ALONG WITH EPB SUGGESTION, WHICH APPEARS TO BE REASONABLE, BELIEVE WE WILL HAVE MUCH SMOOTHER SAILING WITH 11 PERCENT RATE. IT WAS OBVIOUS THAT KANG FELT HE HAD TO GET OPIC TO MAKE SOME CONCESSION IN ORDER TO JUSTIFY THE 11 PERCENT RATE TO OTHERS IN ROKG.

5. PLEASE BE SURE TO REPLY TO ISLAMABAD 6632.

6. PLEASE ALSO SEND 50 OPIC BROCHURES TO EMBASSY ATTENTION MR. CROWLEY, AND INCLUDE NEW INSURANCE HANDBOOK AND OPIC FINANCE QUESTIONS AND ANSWERS.
SNEIDER

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<< END OF DOCUMENT >>

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